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10 UNITED STATES DISTRICT COURT  
11 NORTHERN DISTRICT OF CALIFORNIA  
12 SAN FRANCISCO DIVISION

13 UNIVERSITY OF PITTSBURGH OF THE  
14 COMMONWEALTH SYSTEM OF HIGHER  
15 EDUCATION d/b/a UNIVERSITY OF  
16 PITTSBURGH, a Pennsylvania non-profit  
corporation (educational),

17 Plaintiff,

18 v.

19 VARIAN MEDICAL SYSTEMS, INC., a  
Delaware corporation,

20 Defendant.

Case No. CV 08-02973 MMC

**DEFENDANT VARIAN MEDICAL  
SYSTEMS, INC.'S REPLY  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT OF  
MOTION TO DISMISS PLAINTIFF'S  
CLAIMS PURSUANT TO FED. R.  
CIV. P. 12(B)(6) BASED ON  
DOCTRINE OF RES JUDICATA**

Date: September 5, 2008  
Time: 9:00 a.m.  
Courtroom: 7, 19th Floor

21 **Filed Electronically**

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1     **I. INTRODUCTION**

2           In its opposition brief, UPitt provided a blatantly erroneous description of the basis for the  
 3     dismissal in the Pennsylvania case, the intended scope and effect of that dismissal, and the law of  
 4     res judicata as it applies to the facts of this case. Varian will highlight several key points here that  
 5     will be discussed more fully below.

6           First, it cannot be doubted that the Pennsylvania Court *intended* that its judgment “with  
 7     prejudice” have the effect of barring all further litigation between the parties based on alleged  
 8     infringement of the patents-in-suit. The special master had proposed allowing UPitt to do exactly  
 9     what it has done here, *i.e.*, file a new complaint naming all necessary parties. The Pennsylvania  
 10   Court clearly had the power and authority to do so, based on controlling precedent and UPitt’s  
 11   representations that its co-owner, CMU, was willing to be added as a party. However, after  
 12   carefully considering the issue, the Pennsylvania Court rejected the recommendation of the  
 13   special master and dismissed the case with prejudice. It also rejected a subsequent, last-ditch  
 14   effort by UPitt to obtain a dismissal without prejudice in reliance on the same arguments UPitt  
 15   asserts here. UPitt itself does not doubt the Pennsylvania Court’s intent, having stated in its  
 16   opposition to Varian’s pending Motion to Transfer that it believes the Pennsylvania Court would  
 17   dismiss this case on res judicata grounds.

18           Second, if UPitt disagrees with the Pennsylvania Court’s decision to dismiss the prior case  
 19   with prejudice, the proper forum for UPitt’s challenge is the Court of Appeals. Indeed, UPitt has  
 20   filed an appeal from the judgment entered by the Pennsylvania Court and has stated its intent to  
 21   raise the dismissal “with prejudice” as an issue on appeal. UPitt should not be permitted to raise a  
 22   simultaneous collateral attack on the prior judgment via this lawsuit. Doing so has merely raised  
 23   the prospect of having two identical patent infringement lawsuits proceed in two different courts  
 24   at the same time (if the Federal Circuit reverses the judgment in the Pennsylvania case)—a point  
 25   UPitt does not dispute.

26           Third, any challenge to the Pennsylvania Court’s decision to dismiss the prior case with  
 27   prejudice or to the res judicata impact of that decision should fail. UPitt’s challenge is based on  
 28   misstating the basis for the dismissal. The Pennsylvania Court did not dismiss the prior case for

1 failure to add a party pursuant to Rule 19. As noted by UPitt in its opposition brief, a case may be  
 2 dismissed under Rule 19 only if “a person who is required to be joined . . . cannot be joined.”  
 3 Here, CMU could have been joined—as previously argued by UPitt—because CMU was within  
 4 the jurisdiction of the Pennsylvania Court and was willing to be joined. The Pennsylvania Court  
 5 refused to join CMU and dismissed the case with prejudice for reasons totally unrelated to Rule  
 6 19. Nor was the case dismissed for lack of jurisdiction. Rather, it was dismissed due to UPitt’s  
 7 bad faith and lack of diligence, its failure to comply with court orders, its prior insistence that  
 8 Varian be held to a strict timeliness standard, and the prejudice Varian would have suffered had  
 9 CMU been added so late. Thus, giving res judicata effect to the dismissal with prejudice is both  
 10 required and in accordance with Rule 41(b) and the policies underlying res judicata.

11 **II. ARGUMENT**

12 **A. UPitt Concedes the Existence of Several Elements of a Res Judicata Defense**

13 In its opposition brief, UPitt does not dispute that the following elements of a res judicata  
 14 defense are present in this case:

15 1. The claims are exactly the same as in the Pennsylvania case.  
 16 2. The parties are exactly the same as in the Pennsylvania case.  
 17 3. A final judgment was entered in the Pennsylvania case.

18 *See* Varian’s Opening Brf. at 6-7 (stating elements of res judicata defense). UPitt also does not  
 19 dispute that a res judicata defense may be raised by a motion to dismiss under Rule 12(b)(6) or  
 20 that the Court may take judicial notice of the pleadings and orders in the prior case in connection  
 21 with ruling on such a motion. UPitt’s only basis for disputing the application of res judicata here  
 22 is its argument that the final judgment in the prior action was not “on the merits.”

23 **B. The Judgment in the Pennsylvania Case Was “on the Merits” and Is Entitled  
 24 to Res Judicata Effect**

25 **1. The Pennsylvania Court Intended That Its Dismissal Preclude Further  
 26 Litigation Between the Parties Related to the Patents-in-Suit**

27 The Pennsylvania Court clearly intended that its dismissal of the prior case have  
 28 preclusive effect. This new action is not a proper vehicle for challenging that decision. Such a  
 challenge by UPitt should instead be confined to the pending appeal that involves the same issue.

1           There can be no doubt about the Pennsylvania Court's intent when it dismissed the prior  
 2 case with prejudice. UPitt itself stated in its opposition to Varian's pending Motion to Transfer  
 3 that the Pennsylvania Court "has said it will not entertain the claims." *See* Document No. 33 at 7;  
 4 *see also id.* ("In the Pennsylvania Litigation, and over UPitt's objections, the Western District of  
 5 Pennsylvania dismissed UPitt's case 'with prejudice.' The District Court in Pennsylvania thus  
 6 has, at a minimum, suggested that it would refuse to permit refiling in that Court.").

7           The course of events in the Pennsylvania case bears out UPitt's understanding of the  
 8 intended effect of the dismissal with prejudice. Had the Pennsylvania Court wanted to permit  
 9 future litigation between the parties, it would have simply adopted the recommendation of the  
 10 special master in its entirety. The special master recommended that Varian's summary judgment  
 11 motion be granted "without prejudice to UPitt to file an amended complaint . . . in which CMU is  
 12 added as a party plaintiff . . ." *See* RJD, Ex. G at 10. He based his recommendation in part on  
 13 "the apparent willingness of CMU to join the action, and the fact that CMU is subject to the  
 14 jurisdiction of the Court." *Id.*<sup>1</sup> UPitt has essentially done what the special master recommended,  
 15 except instead of filing a new complaint with CMU as an added party it filed a new complaint  
 16 after purportedly acquiring CMU's patent rights.

17           The Pennsylvania Court rejected that part of the special master's recommendation,  
 18 however. After determining that Varian's motion for summary judgment should be granted, it  
 19 turned to the separate question of "whether the dismissal should be with or without prejudice."  
 20 *See id.*, Ex. H at 3. It first found that all co-owners generally should be included as plaintiffs at  
 21 the inception of a case. *See id.* at 3-4. It then ruled that UPitt would not be allowed to add CMU  
 22 as a party or proceed further against Varian—despite CMU's willingness and availability to be  
 23 joined—because of the special circumstances of the case, namely:

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24  
 25           <sup>1</sup> As UPitt has argued, "[t]he Court could . . . have joined CMU to the [Pennsylvania] action."  
 26 *See* Reply Request for Judicial Notice in Support of Defendant Varian Medical Systems, Inc.'s  
 27 Motion to Dismiss Plaintiff's Claims Pursuant to Fed. R. Civ. P. 12(b)(6) Based on Doctrine of  
 28 Res Judicata, filed herewith, Ex. A at 3 fn. 3 (citing *Abbott Labs. v. Ortho Diagnostic Sys., Inc.*,  
 47 F.3d 1128, 1133-34 (Fed. Cir. 1995), and *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*,  
 340 F.3d 1016, 1019 (Fed. Cir. 2001)).

1. UPitt knew it should have acted earlier: "Plaintiff obviously knew of CMU's  
2. existence and its residual rights in the patents-in-suit, and chose not to join CMU,  
at the inception of this case." *Id.* at 4-5.
3. UPitt's request to add a party was made in bad faith: "Whether plaintiff's very  
4. sophisticated patent counsel made this tactical decision not to join CMU in order  
to make discovery of CMU as a non-party more difficult for defendant, or for  
some other tactical reason, the Court does not know." *Id.* at 5.
5. UPitt's untimely request was in violation of a court order: "[T]he Court denied  
6. [UPitt's] Motion [to join CMU as a party] pursuant to the June 4, 2007 Case  
7. Management Order . . . because said Motion was untimely in that new parties were  
8. to be added approximately 6 months earlier, by June 15, 2007, and discovery  
previously had closed on October 5, 2007, except for specific limited discovery."  
*Id.* at 2; *see also id.*, Ex. C at ¶ 4 (relevant provision of Case Management Order).
9. UPitt's request was inconsistent with its prior insistence that Varian be held to a  
10. strict timeliness standard: "Importantly, this denial [of UPitt's motion to join  
11. CMU as a party] . . . was consistent with the ruling of the Court denying, as  
untimely, defendant's Motion to Amend Answer . . . to add an affirmative defense  
and counterclaim of inequitable conduct. . . . Although plaintiff vigorously and  
successfully opposed this motion of defendant as untimely, plaintiff sought to add  
12. a new party (CMU) in a more untimely manner." *Id.*, Ex. H at 2.
13. UPitt's delay was prejudicial to Varian: "[P]laintiff's argument that since some  
14. discovery has been conducted relating to CMU, CMU can be added as a party, and  
the case can simply proceed, is not credible, as any review of the docket will  
15. establish. The request to add CMU was untimely and unfair to defendant on  
December 5, 2007 . . . , and it is even more so now four (4) months later." *Id.* at 5.  
16. "Defendant continues to oppose the untimely addition of non-party CMU to the  
litigation, including because of the additional expense of the litigation to deal with  
the CMU discovery and other issues . . . . The Court agrees." *Id.* at 5 fn. 5.

17. Varian also presented evidence that UPitt not only knew about CMU's patent rights at the outset  
18. of the case but misled Varian and the Court about that fact by making false statements regarding  
19. patent ownership in its Complaint and interrogatory responses. *See id.*, Ex. K at 6; Ex. A at ¶ 5;  
20. Ex. L at Ex. A, pp. 2-3; Ex. L at Ex. B, pp. 2-5.

21. UPitt did not accept the summary judgment ruling lying down. On May 15, 2008, it filed  
22. a Motion Requesting Entry of Judgment in which it took issue with the Pennsylvania Court's  
23. decision to dismiss its claims with prejudice and urged a change to dismissal without prejudice.  
24. In so doing, UPitt relied on some of the same arguments on which its present opposition is based:

25. Regarding the disposition of this action, the dismissal for lack of standing  
26. is not on the merits of the case. *See Fed. R. Civ. P. 41(b); Korvettes, Inc.*  
27. v. *Brous*, 617 F.2d 1021, 1024 (3d Cir. 1980) ("A dismissal for lack of  
jurisdiction is plainly not a determination of the merits of a claim.").  
28. Additionally, UPitt respectfully disagrees with the Court's dismissing the  
action *with prejudice*. Rather, the dismissal should be *without prejudice*.

1                   See *Korvettes*, 617 F.2d at 1024 (“Ordinarily, such a dismissal is ‘without  
2                   prejudice.’”); *see, also*, *H.R. Techs., Inc.*, 275 F.3d at 1385.

3                   *Id.*, Ex. O at 3-4 (emphasis in original); *see also* Reply RJD, <sup>2</sup> Ex. A at 2-3 (adding that dismissal  
4                   with prejudice was inappropriate because UPitt allegedly could have cured the standing defect).  
5                   UPitt submitted a proposed order that provided for dismissal without prejudice. *See* RJD, Ex. O  
6                   at 4; *see also* *id.*, Ex. O at Ex. A, ¶ 1. The Pennsylvania Court rejected UPitt’s proposed order  
7                   and entered judgment dismissing UPitt’s claims with prejudice. *See* *id.*, Ex. P at 1 & fn. 1.

8                   Thus, the Pennsylvania Court made a conscious and reasoned decision to dismiss the prior  
9                   case with prejudice in order to bar UPitt’s claims against Varian forever. Varian explained in  
10                   Section III.C.3.a of its opening brief that “[a] dismissal that is specifically rendered ‘with  
11                   prejudice’ qualifies as an adjudication on the merits and thus carries preclusive effect.” *Gimenez*  
12                   *v. Morgan Stanley D.W., Inc.*, 202 Fed. Appx. 583, 2006 U.S. App. LEXIS 25561, at \*3 (3d Cir.  
13                   2006); *see also* Varian’s Opening Brief at 9-10 & fns. 12-13 (quoting *Gimenez* and discussing  
14                   other cases with similar holdings); *see also* *Adolph Coors Co. v. Sickler*, 608 F. Supp. 1417, 1432  
15                   (C.D. Cal. 1985) (“Traditional rules of res judicata allow judges to control the preclusive effects  
16                   of their decisions.”). In its opposition, UPitt did not discuss or contest the applicability of any of  
17                   the case law cited in that section of Varian’s opening brief.

18                   **2. UPitt HasAppealed the Dismissal With Prejudice in the Prior Action  
19                   to the Federal Circuit and Should Not Be Permitted to Raise the Same  
20                   Challenge to the Prior Judgment in This Action**

21                   UPitt is asking this court to find that the dismissal with prejudice in the prior case was  
22                   “improperly granted.” *See* UPitt Opp. Brf. At 2. However, it is not the function of a district  
23                   court to evaluate whether the rulings of other district courts are correct. That is the function of  
24                   appellate courts. UPitt has appealed from the judgment in the Pennsylvania case, *see* RJD, Ex. Q,  
25                   and it therefore has the opportunity to challenge the Pennsylvania Court’s decision to dismiss the  
26                   case.

27                   <sup>2</sup> “Reply RJD” refers to the Reply Request for Judicial Notice in Support of Defendant Varian  
28                   Medical Systems, Inc.’s Motion to Dismiss Plaintiff’s Claims Pursuant to Fed. R. Civ. P. 12(b)(6)  
                 Based on Doctrine of Res Judicata, filed herewith.

1 prior case with prejudice in that forum. Indeed, UPitt has stated its intent to do so. Accordingly,  
 2 UPitt should not be permitted to raise the same challenge in this action.

3       Although UPitt characterizes its appeal as a challenge to the Pennsylvania Court's ruling  
 4 that it lacked standing, *see* UPitt Opp. Brf. at 19 & fn. 8, UPitt has identified as a second issue on  
 5 appeal “[w]hether the district court erred in dismissing [UPitt's] patent infringement claims with  
 6 prejudice.” *See* Reply RJN, Ex. B. That is the same issue UPitt is trying to raise here in order to  
 7 defeat Varian's res judicata defense. However, courts routinely refuse to permit litigants to file  
 8 new lawsuits as an end run around district court decisions in prior cases where those decisions  
 9 could have been challenged on appeal. *See, e.g., ProtoComm Corp. v. Novell, Inc.*, 1998 U.S.  
 10 Dist. LEXIS 9636, at \*6-7, \*29-31 (E.D. Pa. June 29, 1998) (after being denied leave to amend to  
 11 assert new claims, plaintiff asserted same claims in second suit; claims were dismissed based on  
 12 res judicata; plaintiff's proper remedy was to appeal from the denial of leave to amend; plaintiff  
 13 “cannot now try to circumvent that decision by pursuing those same claims in this lawsuit.”);  
 14 *Sendi v. NCR Comten, Inc.*, 624 F. Supp. 1205, 1207 (E.D. Pa. 1986) (applying res judicata:  
 15 “[T]he fact that plaintiff was denied leave to amend does not give him the right to file a second  
 16 lawsuit based on the same facts. . . . Sendi's proper recourse was to appeal from the denial of his  
 17 motion to amend.”); *United States v. McGann*, 951 F. Supp. 372, 383 (E.D.N.Y. 1997) (same);  
 18 *Magnus Elecs., Inc. v. La Republica Argentina*, 830 F.2d 1396, 1402 (7th Cir. 1987) (same).

19       UPitt's conduct raises the specter of two identical lawsuits proceeding simultaneously.  
 20 That will occur if this case is allowed to proceed and the Federal Circuit reverses the dismissal of  
 21 the Pennsylvania case.<sup>3</sup> Courts strongly disapprove such parallel proceedings due to the burdens  
 22 placed on the defendant and the courts and the possibility of inconsistent rulings. For example, in  
 23 *Bui v. IBP, Inc.*, 205 F. Supp. 2d 1181 (D. Kan. 2002), the court found that the plaintiff's claims  
 24

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25  
 26       <sup>3</sup>UPitt argues that the cases are not identical because its ownership rights are different in this case  
 27 than in the Pennsylvania case. *See* UPitt Opp. Brf. at 19. However, UPitt misses the point, which  
 28 is that UPitt will be asserting the same patents and requesting the same relief in each case. Thus,  
 the two cases would require duplicative preparations by the parties and decisions by the court and  
 raise the possibility of inconsistent rulings.

1 were barred by res judicata where the same claims had been dismissed in a prior case for lack of  
 2 subject matter jurisdiction. The court explained its ruling in part as follows:

3       The fact that plaintiff's appeal is currently pending before the Tenth Circuit  
 4 also bears some weight on this [res judicata] analysis. . . . [T]he practical  
 5 effect of the results of the appeal show the propriety of imposing a bar here.  
 6 In the event the Tenth Circuit reverses this court's jurisdictional ruling in  
*Bui I*, plaintiff will obtain the identical relief he seeks through this case, i.e.,  
 7 plaintiff will be able to pursue his state law claim for retaliatory discharge  
 8 in federal court. If no collateral estoppel effect were given to *Bui I*,  
 defendant would then be forced to defend two identical claims in the same  
 forum, giving rise to the possibility of inconsistent judgments. Conversely,  
 in the event the Tenth Circuit affirms the dismissal for lack of jurisdiction,  
 it would be unfair to permit plaintiff another bite at the apple . . . ."

9       *Id.* at 1189 (paragraph break omitted). These observations are equally true here. *Cf. Reiffin v.*  
 10 *Microsoft Corp.*, 104 F. Supp. 2d 48, 55 (D.D.C. 2000) (granting motion to transfer in part  
 11 because: "Should the Federal Circuit vacate the Northern District's decision and remand to the  
 12 Northern District, and this court declined to transfer the instant action to that court, [plaintiff]  
 13 would have closely related claims pending in two different districts at once.").

14       **3. The Pennsylvania Case Was Properly Dismissed With Prejudice, Thus  
 15 Barrign This Identical Action, Because the Basis for the Dismissal Was  
 16 UPitt's Lack of Diligence, Failure to Comply With a Court Order, and  
 17 Inconsistent Positions and the Resulting Prejudice to Varian**

18       UPitt's opposition is based on misstating the reasons behind the dismissal with prejudice  
 19 in the Pennsylvania case and misapplying the law of res judicata. The Pennsylvania Court did not  
 20 merely find that UPitt lacked standing. That defect could have been addressed by adding CMU as  
 21 a party and continuing with the case. Rather, it found that UPitt knew it should have added CMU  
 22 as a party at the start of the case and failed to do so for "tactical" reasons, despite a court order  
 23 mandating joinder of all parties by a set date, with resulting prejudice to Varian. In order to  
 24 uphold the principles that led to the dismissal in the first place, that dismissal must be given res  
 25 judicata effect. UPitt cannot be permitted to "cure" the standing defect now in a separate action  
 26 when it had the duty and opportunity to do so in a timely way in the prior action.

27       **a. Applying the Res Judicata Doctrine to Bar This Action Is  
 28 Consistent with Rule 41(b)**

29       UPitt relies heavily on Fed. R. Civ. P. 41(b) to argue that res judicata does not apply here.  
 30 However, Rule 41(b) does not define the scope of the res judicata doctrine. It merely defines the

1 effect of dismissals that do not specify whether they are with or without prejudice. Here, the  
2 Pennsylvania Court’s dismissal states that it is “with prejudice,” so Rule 41(b) does not determine  
3 its effect. Although the doctrine of res judicata is consistent with Rule 41(b) in many ways, it is  
4 more nuanced and case-specific. Moreover, barring UPitt’s claims here is consistent with Rule  
5 41(b) because the dismissal in the prior case was not based on failure to join a party under Rule  
6 19 or lack of jurisdiction, but on UPitt’s lack of diligence, failure to comply with a court order,  
7 inconsistent positions, and prejudice to Varian.

**(1) Rule 41(b) Does Not Define the Scope of Res Judicata**

9 UPitt incorrectly asserts that “Rule 41(b) excludes dismissals for failure to join a party or  
10 for lack of jurisdiction from being adjudications on the merits . . . .” *See* UPitt Opp. Brf. at 8; *see*  
11 *also id.* at 5. In fact, the rule does not apply here at all because it only governs dismissals that are  
12 silent as to whether they are with or without prejudice. “Rule 41(b) sets forth nothing more than a  
13 default rule for determining the import of a dismissal (a dismissal is ‘upon the merits,’ with the  
14 three stated exceptions, unless the court ‘otherwise specifies.’).” *Semtek Int’l Inc. v. Lockheed*  
15 *Martin Corp.*, 531 U.S. 497, 503, 121 S. Ct. 1021, 1025 (2001). Here, the dismissal order states  
16 that it is “with prejudice.” *See* RJN, Ex. P. Therefore, Rule 41(b) does not apply.

17 Moreover, Rule 41(b) does not even define the res judicata effect of dismissal orders to  
18 which it applies. It merely specifies that certain dismissals “operate[] as an adjudication on the  
19 merits,” while others do not. *See Fed. R. Civ. P. 41(b)*. Whether a dismissal is “on the merits” is  
20 a different question from whether it has claim preclusive effect. *See Semtek*, 531 U.S. at 503, 121  
21 S. Ct. at 1025. Rule 41(b) “would be a highly peculiar context in which to announce a federally  
22 prescribed rule on the complex question of claim preclusion . . . .” *Id.* Rather, the scope of the  
23 res judicata doctrine in federal question cases is prescribed by federal common law. *E.g. Taylor*  
24 *v. Sturgell*, \_\_ U.S. \_\_, 126 S. Ct. 2161, 2171 (2008).

25 The doctrine of res judicata does not lend itself to absolutes and bright lines as UPitt  
26 wants the Court to believe. For example, while UPitt cites cases stating a “rule” that res judicata  
27 applies only when a court passes on the substance of a claim, many other cases recognize that res  
28 judicata may apply “regardless of whether the dismissal results from procedural error or from the

1 court's considered examination of the plaintiff's substantive claims." *See In re Schimmels*, 127  
 2 F.3d 875, 884 (9th Cir. 1997); *see also infra* at 14. Thus, it is often necessary to examine the  
 3 policies underlying the doctrine of res judicata to determine whether it applies in a particular case.  
 4 *See, e.g., Marin v. Hew, Health Care Fin. Agency*, 769 F.2d 590, 593-94 (9th Cir. 1985);  
 5 *American Nat'l Bank & Trust Co. v. City of Chicago*, 826 F.2d 1547, 1551-53 (7th Cir. 1987).

6 **(2) This Action Would Be Barred by Res Judicata Even If  
 7 Rule 41(b) Did Apply**

8 Even if Rule 41(b) did apply here, UPitt's action would be barred because the prior case  
 9 was dismissed based on UPitt's failure to join CMU in a timely way as required by the Federal  
 10 Rules of Civil Procedure and the Pennsylvania Court's Case Management Order.

11 The first sentence of Rule 41(b) provides that "[i]f the plaintiff fails . . . to comply with  
 12 these rules or a court order, a defendant may move to dismiss the action or any claim against it."  
 13 Under the express terms of the rule, such a dismissal always operates as an adjudication on the  
 14 merits; it is not subject to the exceptions that apply to "any dismissal not under this rule." The  
 15 dismissal of UPitt's case by the Pennsylvania Court is such a dismissal because it was based on  
 16 UPitt's failure to comply with a provision in the Case Management Order that set a deadline for  
 17 adding parties.<sup>4</sup> *See supra* at 3-4. Dismissals for failure to comply with a court order under Rule  
 18 41(b) typically involve the additional elements of willful delay by the plaintiff and/or prejudice to  
 19 the defendant. *See generally* 9 Wright & Miller, *Federal Practice and Procedure* § 2369 (3d ed.  
 20 2008). The Pennsylvania Court found that those elements were present here. *See supra* at 3-4.  
 21 Thus, the dismissal would be deemed "on the merits" under Rule 41(b).<sup>5</sup>

22  
 23  
 24 <sup>4</sup> UPitt blatantly mischaracterizes the court's Case Management Order, entered as required by  
 25 Fed. R. Civ. P. 16(b), as a "local rule for adding new parties." *See* UPitt Opp. Brf. at 9.

26 <sup>5</sup> UPitt argues that the Pennsylvania Court's denial of Varian's Rule 11 motion indicates that the  
 27 Pennsylvania Court did not intend to dismiss the prior case as a sanction for UPitt's misconduct.  
 28 *See* UPitt Opp. Brf. at 16. However, that conclusion does not follow. Rule 11 only addresses  
 29 sanctions for submitting a paper to a court without adequately investigating the factual and legal  
 30 basis for the paper, making frivolous arguments in a paper, or submitting a paper for purposes of  
 31 harassment. *See* Fed. R. Civ. P. 11(b). It does not address dismissal as a sanction for violation of  
 32 a court order. *See id.*

1 UPitt argues that the dismissal should have been without prejudice because it was “for . . .  
 2 failure to join a party under Rule 19.” *See* UPitt Opp. Brf. at 5 (citing Fed. R. Civ. P. 41(b)).  
 3 However, that was not the basis for the dismissal. As UPitt notes elsewhere, a court can dismiss  
 4 an action under Rule 19 only “[i]f a person who is required to be joined . . . cannot be joined.”  
 5 *See id.* at 3 (quoting Fed. R. Civ. P. 19(b)). Here, CMU could have been joined in the prior case  
 6 because it was within the Pennsylvania Court’s jurisdiction and was willing to be joined. *See*  
 7 *supra* at 3 fn. 1. The Pennsylvania Court did not dismiss the action because CMU could not be  
 8 joined, but because of UPitt’s misconduct as discussed in the preceding paragraph.

9 UPitt also argues that the dismissal was “for lack of jurisdiction” within the meaning of  
 10 Rule 41(b) because it was based on UPitt’s lack of standing. However, UPitt’s lack of standing  
 11 does not explain the decision to dismiss the prior case with prejudice. In the absence of other  
 12 factors, the Pennsylvania Court would undoubtedly have permitted UPitt to add CMU as a party  
 13 as recommended by the special master and permitted by applicable law. *See supra* at 3 & fn. 1.  
 14 It is the Pennsylvania Court’s findings regarding UPitt’s delay, its failure to comply with the Case  
 15 Management Order, its prior insistence on strict compliance with deadlines, and prejudice to  
 16 Varian that explain the dismissal with prejudice. *See supra* at 3-4. Significantly, that court did  
 17 not itself characterize its dismissal as one for lack of jurisdiction. *See RJN, Ex. H.* Furthermore,  
 18 UPitt acknowledges that the defect in this case merely involved “prudential” standing and that  
 19 there is a circuit split on the issue of whether prudential standing is deemed jurisdictional. *See*  
 20 UPitt Opp. Brf. at 7 & fn. 1. Both the Third and Ninth Circuits are among the courts that hold  
 21 prudential standing is *not* jurisdictional. *See Board of Natural Resources v. Brown*, 992 F.2d 937,  
 22 946 (9th Cir. 1993); *Elkin v. Fauver*, 969 F.2d 48, 52 n.1 (3d Cir. 1992). Consequently, that rule  
 23 applies here because the Federal Circuit applies the law of the regional circuit where the district  
 24 court sits when it decides issues of subject matter jurisdiction or res judicata. *Toxgon Corp. v.*  
 25 *BNFL, Inc.*, 312 F.3d 1379, 1380-81 (Fed. Cir. 2002) (subject matter jurisdiction); *Acumed LLC*  
 26 *v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008) (res judicata).<sup>6</sup>

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27  
 28 <sup>6</sup> The Federal Circuit will apply its own law if the res judicata issue is “peculiar to patent law,”  
such as where it requires determining whether two infringement claims are identical. *Acumed,*

1           The cases that UPitt cites in support of its Rule 41(b) argument are inapplicable here. For  
 2 example, UPitt cites *Trujillo v. Colorado*, 649 F.2d 823 (10th Cir. 1981). There, the plaintiff's  
 3 complaint was dismissed for failure to include proper parties, with leave to amend. The plaintiff  
 4 did not amend and a final dismissal was entered. When the plaintiff later re-filed the action with  
 5 the proper parties, the district court found it barred by res judicata because the plaintiff had not  
 6 complied with the order permitting leave to amend. The Tenth Circuit reversed, holding that the  
 7 dismissal was actually based on failure to join proper parties and not disobedience of a court  
 8 order. "Had the District Judge intended what he wrote literally—that the action was being  
 9 dismissed because the March order had been 'disobeyed'—he would have been guilty of an abuse  
 10 of his Rule 41(b) discretion to dismiss." *Id.* at 825.

11           That is the key point of distinction between *Trujillo* and the present case: in *Trujillo*, the  
 12 facts did not support dismissal with prejudice. There was no showing of undue delay, as the final  
 13 dismissal occurred just four months after the case was filed. *See id.* at 824. Nor was there a  
 14 finding of prejudice to the defendants. Finally, there was no showing of willfulness or bad faith  
 15 by the plaintiff. By contrast, these factors *were* present in the Pennsylvania case. *See supra* at 3-  
 16 4. The *Trujillo* court specifically noted that dismissal for disobedience of a court order *may* be  
 17 granted in some cases. *See id.* at 825. Indeed, many cases have upheld dismissals with prejudice  
 18 under Rule 41(b) for failure to amend a complaint within the time frame established by the court.  
 19 *See, e.g., Yourish v. California Amplifier*, 191 F.3d 983, 989-92 (9th Cir. 1999).

20           Other significant differences between *Trujillo* and the present case are the facts that (1)  
 21 the dismissal in *Trujillo* did not specify that it was with prejudice, and (2) *Trujillo* was decided  
 22 before the 1983 amendment of Rule 16(b), which added a provision *requiring* that scheduling  
 23 orders include a deadline for adding parties. *See Fed. R. Civ. P. 16(b)(3)(A) & Adv. Comm.*  
 24 *Notes.* That amendment highlights the importance of timely joinder of necessary parties. It also  
 25 means that a plaintiff who wants to add a party after the court-ordered deadline must now meet  
 26

27           525 F.3d at 1323. Here, there is no dispute that UPitt's claims are identical in the two actions,  
 28 and the issue of whether the prior dismissal was "on the merits" is not peculiar to patent law.

1 the “good cause” standard of Rule 16(b)(4), which requires a showing of diligence by the moving  
 2 party and a lack of prejudice to the opposing party. *See Componentone, L.L.C. v. Componentart,*  
 3 *Inc.*, 2007 WL 2580635, at \*1-\*2 (W.D. Pa. Aug. 16, 2007); *Hynix Semiconductor Inc. v. Rambus*  
 4 *Inc.*, \_\_ F.R.D. \_\_, 2008 WL 687252, at \*4-\*5 & n.6 (N.D. Cal. Mar. 10, 2008). The Rule 16(b)  
 5 “good cause” requirement applies even when the party to be added after the deadline is deemed a  
 6 necessary party under Rule 19. *See Northeast Drilling, Inc. v. Inner Space Servs., Inc.*, 243 F.3d  
 7 25, 36-37 (1st Cir. 2001); *Gil Enters., Inc. v. Delvy*, 79 F.3d 241, 247-48 (2d Cir. 1996).

8 UPitt also cites *Mann v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 488 F.2d 75 (5th  
 9 Cir. 1973). The facts in that case were virtually identical to those in *Trujillo*, in that the case was  
 10 dismissed a few months after it was filed and the plaintiff failed to amend on time. There was no  
 11 showing of undue delay, willfulness, bad faith, prejudice, or other circumstances justifying  
 12 dismissal with prejudice, and thus it was held to be error when the first dismissal was given res  
 13 judicata effect. *See id.* at 76. Therefore, all of the comments in the preceding paragraphs about  
 14 why *Trujillo* is poor precedent for this case apply equally to *Mann*.

15 **b. UPitt Has Not Cured—and Cannot Cure—the Defects From  
 16 the Prior Case Because It Cannot Undo Its Misconduct or the  
 Resulting Prejudice to Varian**

17 UPitt argues at length in its opposition brief that res judicata does not apply because UPitt  
 18 “cured” the standing defect in the prior case. However, UPitt had the duty and the opportunity to  
 19 “cure” the defect much earlier by joining CMU as a party at the inception of the Pennsylvania  
 20 case. The Pennsylvania Court held that UPitt failed to do so for “tactical” reasons, and that its  
 21 unreasonable delay violated a court order and caused prejudice to Varian. UPitt cannot reverse its  
 22 wrongdoing or undo the consequences thereof, and it therefore cannot implement a true cure.

23 The principle at work here was expressed well in another context as follows: “if timely  
 24 action by appellants would have ‘secured them access to a federal adjudication on the merits of  
 25 their state claim,’ then the claim should be barred by res judicata.” *Adolph Coors Co. v. Sickler*,  
 26 608 F. Supp. 1417, 1433 (C.D. Cal. 1985) (quoting *Boccardo v. Safeway Stores, Inc.*, 134 Cal.  
 27 App. 3d 1037, 184 Cal. Rptr. 903 (1982)). The *Coors* court relied on this principle to foreclose  
 28 the plaintiff from pursuing a claim that the plaintiff had been denied leave to add in a prior case

1 due to untimeliness. *See id.* A similar result was reached in *American Nat'l Bank & Trust Co.*,  
 2 826 F.2d at 1551-53. There, a first case was dismissed on grounds that under Illinois law were  
 3 deemed “jurisdictional.” The court concluded that the “jurisdictional” label did not conclusively  
 4 determine the dismissal’s res judicata impact. *See id.* at 1552-53. More pertinent was the fact  
 5 that the plaintiff “had an *opportunity* to receive an adjudication from that court. That he bollixed  
 6 his opportunity by . . . failing to prosecute it properly does not justify exposing the defendant to  
 7 another round.” *Id.* at 1553 (emphasis in original). The principle espoused in these cases has  
 8 equal application here, because timely action by UPitt to add CMU as a party in the prior case  
 9 would have enabled it to obtain a ruling on the substance of its infringement claims in that court.

10 On page 1 of its opposition brief, UPitt cites *Segal v. AT & T Co.*, 606 F.2d 842 (9th Cir.  
 11 1979), for the proposition that “filing a new claim after the barrier to suit no longer exists is not  
 12 prohibited.” However, in *Segal* there was no finding of fault by the plaintiff in failing to clear the  
 13 barrier in the prior case. *See id.* at 844-46. Moreover, there is no indication in the opinion that  
 14 the district court in the prior case had entered a dismissal “with prejudice”; to the contrary, the  
 15 dismissal “was not intended to end litigation between the parties; rather, the intent was to permit  
 16 the litigation to continue in another forum.” *Id.* at 846. Here, by contrast, the Pennsylvania Court  
 17 *did* intend to foreclose future litigation between the parties and signaled that intent by dismissing  
 18 UPitt’s claims with prejudice in its well-reasoned order. *See supra* at 2-5.

19 UPitt also cites *Lowe v. United States*, 79 Fed. Cl. 218 (2007), for the proposition that a  
 20 new action may be filed “[i]f the alleged ‘cure’ is sufficient to repair the prior jurisdictional  
 21 defect.” As in *Segal*, it does not appear that the initial dismissal in *Lowe* was designated “with  
 22 prejudice,” and the court did not find that the grounds for dismissal were due to dilatoriness or  
 23 other wrongdoing by the plaintiff. *See id.* at 221-22, 227-31. The court thus was able to rely on  
 24 the rule that a dismissal for lack of subject matter jurisdiction does not operate as an adjudication  
 25 on the merits “[u]nless the judgment ordering dismissal specifies otherwise . . .” *See id.* at 229.

26 Under the facts of the present case, this Court should find that UPitt’s purported “cure”  
 27 both comes too late and is incomplete. UPitt cannot undo its prior wrongful conduct, and it  
 28 cannot cure the harm caused to Varian by having to spend a year litigating against UPitt’s patent

1 infringement claims in the absence of a necessary party and under false pretenses. Therefore, it  
 2 was proper to dismiss the prior case “with prejudice” and res judicata applies.<sup>7</sup>

3 **c. The Policies Underlying Res Judicata and Rule 16(b) Support  
 4 Dismissal of This Action**

5 UPitt takes pains to distinguish many of Varian’s cited cases on the facts in support of its  
 6 argument that they are inapposite. However, UPitt’s approach ignores the underlying policies  
 7 that ultimately must be examined to determine whether res judicata properly applies in a given  
 8 case. By now, Varian’s position should be clear that it would violate the policies underlying the  
 9 res judicata doctrine and Rule 16(b) if UPitt were allowed to misrepresent the extent of its patent  
 10 rights and flaunt the Pennsylvania Court’s scheduling order, causing prejudice to Varian, with no  
 11 consequence other than having to re-file its claims in a new court.

12 UPitt argues that Varian cited no case in which res judicata applied despite the lack of a  
 13 ruling on the substance of the plaintiff’s claim. *See* UPitt Opp. Brf. at 5, 18. UPitt apparently  
 14 neglected to read pages 10 and 13-16 of Varian’s opening brief, where Varian cited numerous  
 15 cases in which the plaintiff’s procedural failings in a first case justified preclusion of its claims in  
 16 a second case despite no ruling on the substance. *See also* 18 A Wright, Miller & Cooper,  
 17 *Federal Practice and Procedure* § 4435, at p. 134 (2d ed. 2002) (“Thus it is clear that an entire  
 18 claim may be precluded by a judgment that does not rest on any examination whatever of the  
 19 substantive rights asserted.”). UPitt also argues that certain cases cited by Varian do not apply  
 20 here because they involved the invocation of res judicata following denial of a motion for leave to  
 21 add claims, not parties. *See* UPitt Opp. Brf. at 10. However, the underlying principle is the same.  
 22 Where a plaintiff is foreclosed from adding a claim or party in a first case based on elements of  
 23 delay and prejudice, the plaintiff may not re-file its claims in a second action. *See* Varian’s  
 24 Opening Brf. at 10, 13-16 (citing and discussing cases); *see also* 18A Wright, Miller & Cooper,  
 25 *supra* § 4435, at p. 145 (if failure to satisfy a particular precondition should not always operate as  
 26 an adjudication on the merits of the claim, “it should nonetheless remain open to the court to

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27  
 28 <sup>7</sup> UPitt argues Varian has not identified its prejudice, but the Pennsylvania Court already made a  
 finding of prejudice that is not subject to challenge in these proceedings. *See supra* at 3.

1 protect the defendant who has had to incur the burden of preparing a defense by specifying that a  
 2 particular dismissal is with prejudice").

3 **d. UPitt May Not Reargue Whether It Had Standing in the  
 4 Pennsylvania Case**

5 UPitt spends an inordinate portion of its opposition arguing that, despite the conclusive  
 6 ruling of the Pennsylvania Court, it has always had full "legal title" to the patents-in-suit and thus  
 7 had standing to sue in the prior case. *See* UPitt Opp. Brf. at 15-17. However, that issue was  
 8 conclusively decided in Varian's favor, *see* RJN, Exs. H, P, and as usual UPitt's arguments are  
 9 based on ignoring or misconstruing key facts. Varian will simply point out what it successfully  
 10 argued at length to the Pennsylvania Court: although the inventors executed assignments of the  
 11 patents-in-suit in favor of UPitt, UPitt transferred partial ownership to CMU by way of separate  
 12 written agreements providing that jointly developed intellectual property "shall be owned jointly"  
 13 by UPitt and CMU. *See* RJN, Ex. G at 3. UPitt's meaningless distinction between "legal title"  
 14 and "ownership" and its attempt to dismiss the binding agreements as mere "policy documents"  
 15 are unavailing. *See* UPitt Opp. Brf. at 16. The Pennsylvania Court rejected such arguments and  
 16 the matter is now a question for the Federal Circuit.

17 Varian also takes issue with UPitt's suggestion that Varian is an infringer who will be  
 18 allowed to continue engaging in wrongful acts if this action is dismissed. *See* UPitt Opp. Brf. at  
 19 17. Varian has substantial defenses of non-infringement, invalidity, and inequitable conduct that  
 20 it believes would defeat UPitt's claims were the case to go forward. However, Varian has already  
 21 borne the burden of full fact discovery and claim construction proceedings on those claims in the  
 22 Pennsylvania case because UPitt was not forthcoming with the facts regarding ownership of the  
 23 patents-in-suit, thus delaying resolution of the standing issue. The effect of the dismissal in the  
 24 Pennsylvania case is to spare Varian from having to defend itself again given that the dismissal of  
 25 the first action was due to UPitt's procedural misconduct.

26 **III. CONCLUSION**

27 The dismissal of the Pennsylvania case with prejudice has res judicata effect here because  
 28 it was based not merely on UPitt's lack of standing but on UPitt's failure to take steps available to

1 it to cure that defect in a timely way in the prior action, in violation of a court order and with  
2 resulting prejudice to Varian. Accordingly, Varian respectfully requests that the Court grant its  
3 Motion to Dismiss without leave to amend.

4 Dated: August 22, 2008

ORRICK, HERRINGTON & SUTCLIFFE LLP

5

6

By: /s/ Matthew H. Poppe

7

Matthew H. Poppe  
8 Attorneys for Defendant Varian Medical  
9 Systems, Inc.

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**CERTIFICATE OF SERVICE**

2 I hereby certify that a true and correct copy of DEFENDANT VARIAN MEDICAL  
3 SYSTEMS, INC.'S REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN  
4 SUPPORT OF MOTION TO DISMISS PLAINTIFF'S CLAIMS PURSUANT TO FED. R. CIV.  
5 P. 12(B)(6) BASED ON DOCTRINE OF RES JUDICATA was served upon the University of  
6 Pittsburgh, through its counsel, via:

8 \_\_\_\_\_ Hand-Delivery  
9 \_\_\_\_\_ Facsimile  
10 \_\_\_\_\_ First Class, US Mail, Postage Prepaid  
11 \_\_\_\_\_ Certified Mail-Return Receipt Requested  
12 \_\_\_\_\_ X ECF Electronic Service  
13 \_\_\_\_\_ Overnight Delivery

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Dated: August 22, 2008

/s/ *Matthew H. Poppe*  
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